

Company Registration No. 01660783

Wunderman Thompson (UK) Limited

Annual report and financial statements

For the year ended 31 December 2021



Wunderman Thompson (UK) Limited

Annual report and financial statements for the year ended 31 December 2021

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Wunderman Thompson (UK) Limited

Annual report and financial statements for the year ended 31 December 2021

Officers and professional advisers

Directors

J Gautier
P Hulbert

Company Secretaries

P H Dipple
WPP Group (Nominees) Limited

Registered Office

Greater London House
Hampstead Road
London
England
NW1 7QP

Banker

HSBC Bank PLC
62-76 Park Street
London
SE1 9DZ

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ

Wunderman Thompson (UK) Limited

Strategic report

The directors, in preparing this strategic report on Wunderman Thompson (UK) Limited ('the company'), have complied with section 414C of the Companies Act 2006.

Principal activities

The company is a wholly owned subsidiary of WPP plc and operates as part of the group's Global Integrated Agencies sector.

Review of the business

The company's principal activity is the provision of advertising and marketing communication services to the United Kingdom and the rest of the world. There have been no changes in the company's principal activities in the year under review.

The company is a full-service creative, data and technology agency providing expertise in brand communications, commerce, consulting, consumer relationship and customer experience marketing, digital and mobile advertising, design and branding, sales promotion, sponsorship, retail and in-store communications, corporate social responsibility, web build and e-commerce – all serving to provide its clients with integrated marketing solutions.

Turnover for the company has increased to £60,592,000 (2020: £48,680,000).

The company made an operating profit of £7,733,000 (2020: loss of £4,729,000).

The company made a profit before tax of £4,006,000 (2020: loss of £4,763,000).

The company made a profit after tax of £3,932,000 (2020: loss of £5,222,000).

The company has returned to profit in the year ended 31 December 2021. Increased turnover and revenue from new and existing clients alongside the impact of prior year restructuring were all significant factors in the improved result for the year. Restructuring costs following the absorption of Wunderman clients and operating costs into the Wunderman Thompson (UK) Limited business operation had served to significantly increase cost levels in the year ended 31 December 2020 and were a significant contributory factor to the company's operating loss for the prior year.

From April 2021, following an update to ultimate parent company WPP plc policy, the company's syndicated banking arrangements with the WPP group have been restructured into 'zero balancing' pooling arrangements with WPP Finance Co. Limited (WPP Finance Co) acting as the leader of these cash pools within the UK. The company's cash balance is now thus reported within amounts owed by WPP plc group undertakings (refer note 17 Debtors). The receivable balance with WPP Finance Co at 31 December 2021 was £70,537,000. All such receivables are short term in nature and the company, as a participant in the cash pooling arrangements, can transact as normal on its bank accounts, notwithstanding that such cash will be held by WPP Finance Co.

On 3 September 2021, in line with the corporate simplification strategy of the WPP group, the transfer of assets and liabilities of Mirum Agency London Limited and Mirum Agency UK Limited (formerly Possible Worldwide Limited) into the company for considerations of £1 and £1,710,002.78 respectively was completed. The business transfer agreements are effective 1 January 2021.

On 9 April 2020, WPP Brands (UK) Limited (a WPP plc subsidiary) transferred the assets and liabilities of its Wunderman division into the company in return for 56,071,020 irredeemable £1 preference shares and 344,280 £0.00001 ordinary shares. The company adopted new articles of association from this date which provided for the creation of a new class of preference share. The preference share issue had, for the year ended 31 December 2020, been accounted for as a non-current liability in accordance with IAS32 Financial instruments. On 23 November 2021 the company updated its articles of association to confirm that the company is under no obligation to declare and pay a dividend to the preference shareholder. Adoption of the updated articles has enabled the company to account for the £56,071,020 preference share issue as equity and return the company to a net asset position for the year ended 31 December 2021. The company has accrued interest payable on the preference shares for the period 9 April 2020 – 22 November 2021 of £3,585,000. Please refer to note 21 Called-up share capital and share premium for further details.

The differences between the fair value of the considerations paid and the book values of the assets and liabilities acquired of Mirum Agency London Limited, Mirum Agency UK Limited in 2021 and the Wunderman division of WPP Brands (UK) Limited in 2020 have been recorded as a merger reserve in accordance with IFRS3 Business

Wunderman Thompson (UK) Limited

Strategic report

Review of the business (continued)

Combinations. The merger reserve is valued at £37,198,000 (2020: £36,813,000). Please refer to note 22 Other Reserves for further details.

The company paid no interim dividend to the ordinary £1 shareholders in the year ended 31 December 2021 (2020: £nil). No dividends were declared post year end.

Colloquial UK Limited, GMT+0 Limited, Santo UK Limited, Team Cosmo UK Limited and Team Life Global Limited

On 1 January 2021, also in line with the corporate simplification strategy of the WPP group, the above companies ceased trading and their operations integrated with Wunderman Thompson (UK) Limited.

The balance sheet on page 16 of the financial statements confirms that the company's financial position at 31 December 2021 has, in net assets and liabilities terms, significantly increased in comparison with the prior year. This is largely due to the equity accounting for the 2020 preference share issue and the profits earned by the company in the the year.

Duty to promote the success of the company

The Directors of the company, as of those of all UK companies, must act in accordance with section 172 of the Companies Act 2006. The Directors are of the opinion that they have acted fairly and in good faith to promote the success of the company for its members.

The Directors have carried out these duties and have made decisions and undertaken long term strategies to maintain its financial performance and position. The Directors continued to recognize the importance of the company's partnership with all its stakeholders including employees, members, suppliers, customers and the community as well as maintaining its high standards of business conduct and reputation.

Further details of the company's engagement with external stakeholders is given in the Directors report.

The Directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the Directors of WPP plc in their annual report. Please refer to pages 113-115 of the WPP plc annual report available at wpp.com for more information on how the Group Directors meet their duty.

Financial key performance indicators

	2021	2020	Change %
Turnover	60,592	48,680	24.47
Profit / (loss) before Taxation	4,006	(4,763)	184.11
Net assets / (liabilities)	34,275	(29,231)	217.26

The company has returned to operating profit, profit before taxation and net assets in the year ended 31 December 2021.

On 23 November 2021 the company updated its articles of association to confirm that the company is under no obligation to declare and pay a dividend to the preference shareholder. Adoption of the updated articles enabled the company to account for the 2020 £56,071,020 preference share issue as equity and thus increase net assets in the year ended 31 December 2021. Increased turnover on new and existing clients has contributed to operating profit. Restructuring costs were a significant factor in the company's operating loss for the year ended 31 December 2020.

The company is a wholly owned subsidiary of WPP plc. For this reason, the company's directors believe that any further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of WPP plc, which includes this company, is discussed in the WPP plc Annual Report which does not form part of this Report. The financial statements of WPP plc are available at www.wpp.com/investors.

Wunderman Thompson (UK) Limited

Strategic report

Financial risk management and principal risks and uncertainties facing the company

The directors of the company have considered the principal risks and uncertainties affecting the company as at 31 December 2021 and up to the date of this report.

Client loss

The company competes for clients in a highly competitive industry. This may result in reduced market share, reduced prices and decreased profits.

The company manages the risk of client loss by providing value adding services, continuously improving our creative capabilities, and by seeking to secure long-term client relationships.

The management and leadership teams in the company and group are reviewing and monitoring the status of client losses and upcoming pitches for new clients.

Covid-19 pandemic

The extent of the continued impact of the Covid-19 pandemic on our business will depend on numerous factors that we are not able to accurately predict, including the duration and scope of the pandemic, any existing or new variants, government actions to mitigate the effects of the pandemic and the intermediate and long-term impact on the pandemic on our clients' spending plans.

We are continuing to manage the risk by constantly monitoring our working capital position, supported by actions to maintain liquidity including cost reduction and cash conservation.

The pandemic has not had any significant impact on the company's results for the year ended 31 December 2021.

Economic and credit risk

The company's principal financial assets are its bank balances, trade, intercompany and other receivables and investments. The company's main credit risk is primarily attributable to its key trade and intercompany receivables.

The company has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and clients.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Adverse economic conditions, including those caused by the pandemic, invasion of Ukraine by Russia, sustained inflation in key markets where we operate and supply chain issues affecting the distribution of our client's products pose a risk our clients may reduce, suspend or cancel spend with us or be unable to satisfy obligations. The company is subject to credit risk through the default of a client or other counterparty.

The company commits to media and production purchases on behalf of some of our clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look at us to pay those amounts and there could be an adverse effect on our working capital and operating cash flow.

The company is working closely with our clients during this period of economic uncertainty to ensure timely payment of services in line with contractual commitments and with vendors to maintain the settlement flow on media.

There are increased management processes to manage working capital and review cash outflows and receipts during the Covid-19 pandemic.

Cyber-security and Information Technology staff

The company is reliant on third parties for the performance of a significant portion of our worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business.

A cyber-attack could result in disruption to our business or compromise the security of data.

These could all have a legal, financial or reputational consequence on the company.

Wunderman Thompson (UK) Limited

Strategic report

Financial risk management and principal risks and uncertainties facing the company (continued)

Cyber-security and Information Technology staff (continued)

With a majority of our people working remotely as a consequence of the Covid-19 pandemic, there is the potential of an increased risk of compromised data security and cyber-attacks.

The company mitigates the risk of cyber security and I.T. breaches by adhering to strict information security protocol and by monitoring and logging our network and systems. We are also raising our people's security awareness through our training.

Supplier payments

The company's policy is to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based on the receipt of an accurate invoice.

Currency risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Foreign currency transactions are where possible kept to a minimum and are in stable currencies. The company, through WPP 2005 Ltd's treasury function, uses currency hedging on its financial activities when appropriate. The directors keep the situation under review and consult with the WPP 2005 Ltd treasury team with regard to appropriate risk management.

Going concern and liquidity risk

The directors have assessed the ongoing business activities and the potential impact that the Covid-19 pandemic, Russian invasion of Ukraine and general global economic conditions may have on the liquidity, performance and financial position of the company for at least the next 12 months from the date of signing the financial statements.

In line with the group approach, the company's forecasts and projections take account of i) reasonably possible declines in revenue less pass-through costs; and ii) remote declines in revenue less pass-through costs for stress-testing purposes as a consequence of the Covid-19 pandemic compared to 2021. The impact of the Russian invasion of Ukraine and sanctions response from governments has been considered.

The company balance sheet at 31 December 2021 discloses net current assets of £39,278,000, long term liabilities of £2,342,000 and net assets of £34,275,000 and can therefore meet its short and long-term obligations as they fall due.

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operation existence for at least the next 12 months from the date of signing the financial statements. Additionally the company is a subsidiary of WPP plc and is supported by the overall WPP plc financing and liquidity arrangements.

The Directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Environmental matters and streamlined energy and carbon reporting (SECR)

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations. As the company is a UK subsidiary of WPP plc, its SECR reporting details are included, together with the other group subsidiaries, in the WPP plc Annual report. Please refer to pages 214-217 of the Annual report of WPP plc available at wpp.com/investors for more information.

Other assessments

The company is also highly dependent on its employees. The company manages this risk by recruiting and seeking to retain the most talented people by supporting them to expand their skills and capabilities.

The company may be subject to certain regulations that could restrict the company's activities and may be exposed to liabilities from allegations that certain of its clients' advertising claims may be false or misleading or that its clients' products may be defective. This risk is managed by the company's contractual arrangements with its clients and by subscriptions to liability and indemnity insurance policies.

Wunderman Thompson (UK) Limited

Strategic report

Other assessments (continued)

There remains a degree of uncertainty within the business community in respect of international trade processes and logistics now that the United Kingdom has left the European Community. This may translate into less certainty on the company's revenue. The situation will be continuously monitored by management with appropriate actions taken as required.

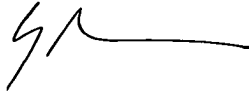
Future developments

The directors expect the level of business activity and result for the year ended 31 December 2022 to be comparable to the year ended 31 December 2021.

The directors manage the company with the aim of developing employee talent, systems and processes to enable the company's growth both in terms of financial performance and the quality and breadth of the creative expertise and marketing strategies and services offered to its clients.

The Directors will continue to monitor, review and take the appropriate steps to respond to the impact of the Covid-19 pandemic in the company, as well as recognise and address the other current and emerging risks and uncertainties we face as a business.

Approved by the Board of Directors
and signed on behalf of the Board



J Gautier
Director

22/02/2023

Wunderman Thompson (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Company information

Wunderman Thompson (UK) Limited (registered number 01660783) is a private company limited by shares. The company is registered in England and Wales and has its registered office at Greater London House, Hampstead Road, London NW1 7QP.

Results and dividends

The company has made a profit for the year of £3,932,000 (2020: loss of £5,222,000).

The company paid no interim dividend to the ordinary £1 shareholders in the year ended 31 December 2021 (2020: £nil). No final dividend is proposed.

Directors

The directors of the company who served throughout the year and subsequent to the year-end are set out on page 1.

Director's indemnities

The ultimate parent company, WPP plc, has made qualifying third-party indemnity provisions for the benefit of the company directors. These provisions also cover the company's immediate parent and the company's subsidiaries. These provisions were made during the year and remain in force at the date of this report.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Strategic report and Accounting policies note in the financial statements (note 1).

Strategic report

In accordance with section 414(c) 11 of the Companies Act 2006, the information required by Schedule 7, The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 in respect of requirements of the business review is included in the strategic report. This includes a review of the development of the business of the company during the year, of its position at the end of the year, the principle risks and uncertainties facing the company, financial risk management objectives and policies and of the likely future developments in its business.

Employees

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved in a number of ways: at regular meetings when the company's business performance and plans are reviewed and outlined; at presentations to which newcomers are invited; and through regular correspondence from senior management detailing current news about the company.

The WPP plc Group employee share scheme has been running successfully since its inception in 1997 and is open to all employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Details of the number of employees and related costs can be found in note 8 to the financial statements.

Wunderman Thompson (UK) Limited

Directors' report

External stakeholder engagement

The company recognises the importance of its continued partnerships with its wider stakeholders including suppliers and customers. The company aims to have an open and transparent relationship which is based on honesty and respect. The company engages in constant conversation with clients and suppliers on improving delivery of services and relationships.

A detailed statement on the WPP plc group's external stakeholder engagement can be found in the WPP plc annual report which does not make up part of this report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J Gautier
Director

22/032023

Wunderman Thompson (UK) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Wunderman Thompson (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Wunderman Thompson (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Wunderman Thompson (UK) Limited

Report on the audit of the financial statements (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team [including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry specialists] regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Wunderman Thompson (UK) Limited

Report on the audit of the financial statements (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Independent auditor's report to the members of Wunderman Thompson (UK)
Limited**

Report on the audit of the financial statements (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicola Barker (ACA) (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

22 February 2023

Wunderman Thompson (UK) Limited

Income Statement for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Turnover	2	60,592	48,680
Administrative expenses		(53,105)	(53,857)
Other operating income	3	246	448
Operating profit / (loss)	4	7,733	(4,729)
Impairment of property assets	14	(555)	-
Income from other fixed asset investments	5	582	673
Interest receivable and similar income	7	157	73
Interest payable and similar charges	7	(3,911)	(780)
Profit / (loss) before taxation		4,006	(4,763)
Tax on profit / (loss)	10	(74)	(459)
Profit / (loss) for the financial year		3,932	(5,222)

All operations of the company continued throughout both years.

The accompanying notes form an integral part of this income statement.

Wunderman Thompson (UK) Limited

Statement of other comprehensive income For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Profit / (loss) for the financial year		3,932	(5,222)
Items that will not be reclassified subsequently to profit or loss:			
Other comprehensive income/(expense) for the year net of tax			
Actuarial (loss) / gain relating to defined benefit pension schemes			
- J. Walter Thompson Pension and Life Assurance Scheme	23	(9)	166
Deferred tax attributable to actuarial gain/(loss) on defined benefit pension schemes			
- J. Walter Thompson Pension and Life Assurance Scheme	23	<u>1</u>	<u>(40)</u>
		(8)	126
Total comprehensive income / (expense) for the financial year		<u><u>3,924</u></u>	<u><u>(5,096)</u></u>

The accompanying notes form an integral part of this statement of other comprehensive income.

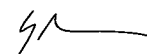
Wunderman Thompson (UK) Limited

Balance sheet As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non current assets			
Tangible assets	13	3,125	4,004
Right-of-use asset	14	-	4,741
Sub-lease asset	14	665	1,048
Investments	15	-	-
		<u>3,790</u>	<u>9,793</u>
Current assets			
Work in progress	16	497	1,232
Debtors	17	96,891	23,444
Cash at bank and in hand	18	-	52,529
		<u>97,388</u>	<u>77,205</u>
Current liabilities	19	<u>(64,410)</u>	<u>(44,281)</u>
Net current assets		<u>32,978</u>	<u>32,924</u>
Total assets less current liabilities		<u>36,768</u>	<u>42,717</u>
Non-current liabilities			
Provisions for liabilities	20	(579)	(1,481)
Long term property liabilities	14	(2,342)	(14,654)
Preference shares	21	-	(56,071)
		<u>(2,921)</u>	<u>(72,206)</u>
Net assets / (liabilities) excluding retirement benefit schemes		<u>33,847</u>	<u>(29,489)</u>
Retirement benefit schemes asset	23	428	258
Net assets / (liabilities)		<u><u>34,275</u></u>	<u><u>(29,231)</u></u>
Capital and reserves			
Called-up share capital	21	56,071	-
Share premium account	21	4,301	716
Other reserves	22	(12,220)	(12,146)
Profit and loss account		<u>(13,877)</u>	<u>(17,801)</u>
Shareholders' funds / (deficit)		<u><u>34,275</u></u>	<u><u>(29,231)</u></u>

The financial statements of Wunderman Thompson (UK) Limited, registered number 01660783, were approved by the Board of Directors and authorised for issue on February 22nd 2023.

Signed on behalf of the Board of Directors



J Gautier (Director)

Wunderman Thompson (UK) Limited

Statement of changes in equity For the year ended 31 December 2021

	Called-up share capital (Note 21) £'000	Share premium account (Note 21) £'000	Other reserves (Note 22) £'000	Profit and loss account (Balance Sheet) £'000	Total £'000
Balance at 1 January 2020	-	150	24,636	(12,705)	12,081
Loss for the year	-	-	-	(5,222)	(5,222)
- Actuarial gains relating to defined benefit pension schemes (Note 23)	-	-	-	166	166
- Deferred tax attributable to actuarial losses on defined benefit pension schemes (Note 23)	-	-	-	(40)	(40)
Total comprehensive expense for the year	-	-	-	(5,096)	(5,096)
Merger Reserve (Note 22)	-	-	(36,813)	-	(36,813)
Issue of ordinary shares and premium thereon	-	566	-	-	566
Capital contribution for equity-settled share based payments (Note 12)	-	-	31	-	31
Balance at 31 December 2020	-	716	(12,146)	(17,801)	(29,231)
Profit for the year	-	-	-	3,932	3,932
Other comprehensive income for the year	-	-	-	-	-
- Actuarial loss relating to defined benefit pension schemes (Note 23)	-	-	-	(9)	(9)
- Deferred tax attributable to actuarial gains on defined benefit pension schemes (Note 23)	-	-	-	1	1
Total comprehensive income for the year	-	-	-	3,924	3,924
Reclassification of Preference Share Capital (Note 21)	56,071	-	-	-	56,071
Premium on reclassification of Preference Share Capital (Note 21)	-	3,585	-	-	3,585
Merger Reserve (Note 22)	-	-	(385)	-	(385)
Capital contribution for equity-settled share based payments (Note 12)	-	-	311	-	311
Balance at 31 December 2021	<u>56,071</u>	<u>4,301</u>	<u>(12,220)</u>	<u>(13,877)</u>	<u>34,275</u>

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Wunderman Thompson (UK) Limited is a company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the review of the business on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements because it is included in the group financial statements of WPP plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 25 to the financial statements.

The company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 and has not produced group financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, related party transactions and certain disclosures required by IFRS15 and IFRS 16. Where required, equivalent disclosures are given in the group financial statements of WPP plc. The group financial statements of WPP plc are available to the public and can be obtained as set out in note 25.

New IFRS accounting pronouncements

In the current year, the following Standards and Interpretations became effective: – Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); – Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16); and – IFRIC Agenda Decision on Accounting Treatment for Configuration and Customisation Costs in a Cloud Computing Arrangement. The company does not consider that these standards or the following amendments to standards adopted during the year have a significant impact on the financial statements.

Impact of interest rate benchmark reform – Phase 2

The amendments issued by the IASB, Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), are mandatory and were effective from 1 January 2021. They provide relief on certain existing requirements in IFRS Standards, relating to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate, as a result of Interest Rate Benchmark Reform. The company does not consider that these amendments had a significant impact on the financial statements as they provide relief for the possible effects of the uncertainty arising from interest rate benchmark reform.

Impact of Covid -19-Related Rent concessions beyond 30 June 2021

The amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021, was issued by the IASB in March 2021 and was effective from 1 April 2021. It provides an extension to the period under which practical relief to lessees could be applied in accounting for rent concessions occurring as a direct consequence of Covid-19, as introduced

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

New IFRS accounting pronouncements (continued)

Impact of Covid-19-Related Rent concessions beyond 30 June 2021 (continued)

in the original amendment, Covid-19-Related Concessions (Amendment to IFRS 16). There has been no material impact to our financial statements as a result of the application of this amendment.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate.

The directors have also assessed the ongoing business activities and the potential impact that the Covid-19 pandemic, Russian invasion of Ukraine and general global economic conditions have had on the liquidity, performance and financial position of the Company for at least the next 12 months from the date of signing the financial statements.

The company balance sheet at 31 December 2021 discloses net current assets of £32,978,000, long term liabilities of £2,342,000 and net assets of £34,275,000. The company can meet its short and long-term obligations as they fall due.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for at the next 12 months from the date of signing the financial statements. Additionally the company is a subsidiary of WPP plc and it is part of the cash pooling arrangements.

The directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements

Tangible fixed assets

Leasehold improvements, fixtures, fittings and equipment are stated at historical cost less accumulated depreciation.

Depreciation is regularly recognised on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight-line balance basis over its expected useful life, as follows:

Leasehold improvements	10% per annum or evenly over the remaining life of the lease
Computer equipment	33.3% per annum
Fixtures, fittings and equipment	10% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any change in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Impairment of tangible and intangible assets (continued)

the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Work in progress comprises costs incurred on behalf of clients.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the ultimate parent company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

The company recognises revenue from the following major sources to provide clients with integrated marketing solutions:

- Brand consultancy
- Digital and mobile advertising
- Sales promotion
- Customer relationship management
- Sponsorship
- Retail and in-store communications
- Corporate social responsibility
- Web build
- E-commerce.

Revenue is stated net of VAT and trade discounts.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract and excludes amounts collected on behalf of third parties. The company recognizes revenue when it transfers control of a service to the customer.

Where a contract has only been partially completed at the balance sheet date revenue represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Contract Liabilities and included as part of Creditors due within one year.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Leases

The company as lessee

The company is a leaseholder to property at 1 Knightsbridge Green, London SW1X 7NW. Other lease contracts held include office equipment and motor vehicles.

At the inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method. The lease term includes periods covered by an option to extend if the company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in both costs of services and general and administrative costs and interest expense is recognised under finance costs in the income statement.

The company has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as cost of services and general and administrative costs within the income statement on a straight-line basis over the lease term.

The company assesses at the reporting date whether there are any indicators of impairment and performs an impairment test when an impairment indicator exists. The Company tests a right-of-use asset as a stand-alone asset for impairment when it either meets the definition of investment property which generates independent cash flows or it is vacant with minimal to no continued utility for the company. When a right-of-use asset is tested as a stand-alone asset, an impairment loss is recognised when the carrying amount of the right-of-use asset exceeds its recoverable amount. The recoverable amount of a right-of-use asset is estimated mainly based on the present value of the estimated sublease income, discounted using the property yield rates.

The property held by the company as right-of-use assets to earn rentals is classified as investment property. The company measures its investment property applying the cost model.

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

The company disposed of a significant portion of its property lease, office equipment and motor vehicle leases in the year ended 31 December 2021 – please refer to note 14 Leases for further details.

The company as lessor

The company has also sub-let an area of its premises at 1 Knightsbridge Green, London SW1X 7NW. Following the adoption of IFRS 16 Leases from 1 January 2019 this lease is accounted for as an Investment in sub-let held at the net present value of future sub-let income – please refer to note 14 Leases for further details.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Defined benefit schemes are funded with the assets of the scheme held separately from those of the Company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets such as trade receivables, loans, and other receivables are recognized and derecognized on a trade date basis. Loans and receivables are measured at fair value using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime expected credit losses for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Write-off policy

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities such as trade creditors, loans, and other payables are recognized and derecognized on a trade date basis. Loans and payables are measured at fair value using the effective interest method, less any derecognition. Interest expense is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Derecognition of Financial Liabilities

In accordance with IFRS 9 Financial Instruments, a financial liability of the company is only released to the income statement when the underlying legal obligation is extinguished.

Hedge accounting

The company designates hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the income statement, and included in administrative expenses.

Preference shares

On 23 November 2021 the company updated its articles of association to confirm that the company is under no obligation to declare and pay an annual dividend to the preference shareholder. Adoption of the updated articles has enabled the company to account for the £ 56,071,020 preference share issued in April 2020 as equity for the year ended 31 December 2021.

In the year ended 31 December 2020 the share issue, in accordance with IAS32 Financial Instruments, was accounted for as a non-current liability. Please refer to the Strategic report and Note 21 Called-up share capital and share premium for further details.

Common control transactions

Common control transactions as a part of group reconstructions may be accounted for by using the merger accounting method provided:

- a) The use of the merger accounting method is not prohibited by company law or other relevant legislation;
- b) The ultimate equity holders remain the same, and the rights of each equity holder, relative to the others are unchanged; and
- c) No non-controlling interest in the net assets of the group is altered by the transfer.

With the merger accounting method the carrying value of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value. Any difference between the consideration and the book value of the assets acquired is shown as a difference in the merger reserve in the statement of changes in equity.

Share-based payments

The ultimate parent company, WPP plc, has granted rights to its equity instruments to certain employees of the company. This share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent. FRS 101 (Share-based payments) requires the company to record an expense for such compensation (see note 12) with a corresponding increase in equity as a contribution from the parent.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The fair value determined at grant date is recognized in the income statement as an expense on a straight-line basis over the relevant vesting period, based on the company's estimate of the number of shares that will ultimately vest and adjusted for, based on management's best estimate, the effects of non-transferability, exercise restrictions, and behavioural considerations.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15 *Revenue from Contracts with Customers* and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the company's accounting policies (continued)

Revenue recognition (continued)

Where a contract has only been partially completed at the balance sheet date, revenue represents the value of the service provided to date based on a proportion of the total contract value. Revenue is only recognised where there is persuasive evidence that an arrangement exists; a service has been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Retirement benefit schemes

For all defined benefit pension schemes, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgements have been made to determine the defined benefit obligation, in particular with regard to the discount rate, inflation and mortality. At 31 December 2021, the company's retirement benefit schemes were in surplus of £428,000 (2020: £258,000 surplus). Appropriate sensitivities have been performed and are disclosed in note 23.

Impairment of investments

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £nil (2020: £nil).

2. Turnover

An analysis of the Company's turnover is as follows:

	2021	2020
	£'000	£'000
Continuing operations		
Rendering of advertising services	60,592	48,680
	<u>60,592</u>	<u>48,680</u>

An analysis of the Company's revenue by geographical market is set out below.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

2. Turnover (continued)

	2021 £'000	2020 £'000
Turnover:		
United Kingdom	43,416	37,775
Rest of Europe (excluding the United Kingdom)	16,923	10,871
Rest of the World	253	34
	<u>60,592</u>	<u>48,680</u>

3. Other operating income

Other operating income consists of sub-lease income of £246,000 (2020: £448,000) from tenants of Wunderman Thompson (UK) Limited.

4. Profit / (loss) before taxation

	2021 £'000	2020 £'000
Profit / (loss) before taxation is stated after charging/(crediting):		
Net foreign exchange losses / (gains)	129	(9)
Depreciation of owned tangible fixed assets	1,741	1,839
Depreciation of right-of-use assets	104	1,271
Operating lease rentals		
- equipment	9	-
Provision release in respect of onerous property lease	(902)	(3,000)
Auditor's remuneration		
- Fee payable for the audit of the company's annual financial statements	258	258
- Fee payable for the audit of the company's compliance with the Sarbanes Oxley Act 2002	53	55
	<u>53</u>	<u>55</u>

Depreciation of owned tangible assets was accelerated in 2020 following the provision in respect of an onerous property lease obligation. Property operating lease rentals are accounted for under IFRS 16 Leases following the adoption of this standard on 1 January 2019. The adoption of this standard has also prompted the large release of provision in respect of onerous property lease.

5. Income from group and associated undertakings

The company received dividend income of £582,000 (2020: £673,000) dividend income from associate companies of Wunderman Thompson (UK) Limited.

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual financial statements for the year ended 31 December 2021 were £258,000 (2020: £258,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

7. Finance income / (charges)

Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income and similar income on bank accounts	-	-
Interest receivable from group companies	146	-
Interest income on sub-lease assets	5	66
Interest income on defined benefit pension schemes (see note 23)	6	7
	<u>157</u>	<u>73</u>

Interest payable and similar charges

	2021 £'000	2020 £'000
Dividend payable to preference shareholder	(3,585)	-
Interest payable and similar charges on bank accounts	(13)	(23)
Interest payable to group companies	(275)	(195)
Interest charges on long term lease liabilities		
- Leasehold property	(38)	(531)
- Fixtures, fittings and equipment	-	(31)
	<u>(3,911)</u>	<u>(780)</u>

The company has accrued interest payable to the preference shareholder covering the period 9 April 2020 to 22 November 2021.

8. Staff costs

In accordance with Section 411 Companies Act 2006 Information about employee numbers and cost the monthly average number of persons employed by the company (including executive directors) during the year is disclosed as follows:

	2021 Number	2020 Number
Administration	50	47
Production	349	320
	<u>399</u>	<u>367</u>

The increase in average number of persons employed is due to the company's merger with the Wunderman division of WPP Brands (UK) Limited.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

8. Staff costs (continued)

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Employee costs during the year amounted to:		
Wages and salaries	26,758	25,158
Social security costs	3,474	3,346
Other pension costs	1,693	1,072
	<u>31,925</u>	<u>29,576</u>

9. Directors' remuneration and transactions

The remuneration of the directors was as follows:

	2021 £'000	2020 £'000
Emoluments	509	515
Company contributions to money purchase pension schemes	15	10
	<u>524</u>	<u>525</u>

The above amounts exclude the value of restricted stock awards or share options received under long-term incentive schemes (2021: £112,000, 2020: £61,000). These amounts were borne by another group company.

No director exercised share options during the year (2020: none) and share options were received under long-term incentive schemes by no director (2020: none). Restricted stock awards were received under long-term incentive schemes by two directors (2020: two).

Pensions

The number of directors who were members of pension schemes was as follows;

	2021 Number	2020 Number
Money purchase schemes	<u>2</u>	<u>2</u>

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

9. Directors' remuneration and transactions (continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2021 £'000	2020 £'000
Emoluments	348	361
	<u>348</u>	<u>361</u>

The above amounts exclude the value of restricted stock awards or share options received under long-term incentive schemes (2021: £95,000, 2020: £49,000). These amounts were borne by another group company.

10. Tax on profit / (loss)

The tax charge for the year ended 31 December 2021 is based on the profit for the year and comprises:

	2021 £'000	2020 £'000
<i>Current taxation</i>		
United Kingdom corporation tax at 19% (2019: 19%) on profits for the period	-	-
Overseas Taxes Suffered	1	14
Total current tax	<u>1</u>	<u>14</u>
<i>Deferred taxation</i>		
Current year	<u>73</u>	<u>445</u>

Current taxation

The UK tax rate for the year ended 31 December 2021 is 19%.

Corporation tax payable is payable at 19% (2020: 19%) on taxable profits for the year. However, losses are available from other group companies to reduce taxable profits to nil under the group relief provisions. There is no corresponding payment by the claimant company for the losses. A reconciliation of the tax charge calculated using this standard rate, and the actual charge, is shown below:

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

10. Tax on profit / (loss) (continued)

Current taxation (continued)

	2021 £'000	2020 £'000
Profit / (loss) before tax	4,006	(4,763)
Tax on profit at standard rate of 19% (2020: 19%)	761	905
Factors affecting charge for the year:		
Impact of deferred tax rate change	(4)	(79)
Items that are not taxable in determining taxable profit	111	(128)
Group relief for nil consideration	(1,141)	952
Prior year adjustments	84	-
Irrecoverable withholding taxes	1	14
Items that are not deductible in determining taxable profit	220	168
Movement in other temporary differences	(31)	6
Current tax on profit for the year	1	14

Deferred tax

The UK tax rate used for deferred tax balances for the year ended 31 December 2021 is 19% (2020:19%).

Deferred tax assets and liabilities are recognised in respect of timing differences relating to fixed assets, share-based payments and other short-term timing differences as it is probable that there will be sufficient taxable profits and losses against which the asset will reverse in the foreseeable future. The amount recognised is a liability of £ 73,000 (2020: liability of £ 445,000).

A deferred tax asset of £1,000 (2020: liability of £40,000) on the net surplus (2020: surplus) on defined benefit pension schemes has been recognised in Other Comprehensive income (refer Statement of Comprehensive Income and note 23).

Factors that may affect future tax charge

The UK corporation tax rate for the year ended 31 December 2021 is 19%. In the UK Budget on 3 March 2021, the Chancellor of the Exchequer announced an increase in the UK corporation tax rate from 19% to 25%, which is due to be effective from 1 April 2023. This change was enacted at the balance sheet date and deferred tax balances have been re-measured accordingly at 25% (2020:19%). The amended tax rate has resulted in an increased deferred tax liability of £ 4,000.

11. Dividends on equity shares

The company paid no interim dividend to its ordinary shareholders in the year ended 31 December 2021 (2020: £nil). No final dividend was declared in the years ended 31 December 2021 and 31 December 2020.

12. Share-based payments

Equity-settled share option and restricted stock schemes

The company participates in a share option scheme for all employees. Options are exercisable on the shares of the ultimate parent company at a price equal to the estimated fair value of the parent company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the company before the options vest.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

12. Share based payments (continued)

Equity-settled share option and restricted stock schemes (continued)

28,375 share options were exercised in the year ended 31 December 2021 (2020: nil). The weighted average exercise share price at the date of exercise for share options exercised in the year ended 31 December 2021 was £8.2734. The options outstanding at 31 December 2021 had exercise prices ranging from £7.4400 to £17.0550 and a weighted average remaining contractual life of 92 months (2020: 93 months). In 2021, options were granted on 25 November 2021. The aggregate of the estimated fair values of the options granted on those dates is £31,000. In 2020, options were granted on 24 November 2020. The aggregate of the estimated fair values of the options granted on those dates is £15,000.

The company charged the following amounts to the income statement in 2021 and 2020 in relation to equity-settled share-based payments.

	2021 £'000	2020 £'000
Share options		
WPP Worldwide Share Ownership Plan	12	11
Restricted stock		
WPP Leaders, Partners and High Potential Group	229	(8)
WPP Performance Share Awards	14	14
WPP Other Long-Term Incentive Plans	56	14
	<u>311</u>	<u>31</u>

These amounts have been credited to Equity as a Parent Company Capital contribution in accordance with FRS 101 Share-based payments (see note 22 Other Reserves). A review of the forfeiture rates applied to each share option and restricted stock plan is also reflected in the computation of the 2021 and 2020 charges.

Terms of share option plan

WPP Worldwide Share Ownership Plan

The WPP Worldwide Share Ownership Plan is open to employees with at least two years' employment in a company owned by WPP plc. It is not available to those participating in other share-based incentive programmes or to executive directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with a WPP plc company.

Stock options for this plan have a life of ten years, including the vesting period. All stock options are satisfied out of newly issued shares in WPP plc.

A statement of the share option plan follows:

	At 1 January 2021 Number	Granted number	Exercised number	Lapsed/ Transferred number	Outstanding at 31 December 2021	Exercisable at 31 December 2021
WPP Worldwide Share Ownership Plan	85,875	28,375	(4,500)	(17,750)	92,000	32,875
	<u>85,875</u>	<u>28,375</u>	<u>(4,500)</u>	<u>(17,750)</u>	<u>92,000</u>	<u>32,875</u>
Weighted-average prices	£10.7200	£11.065	£8.2734	£10.4778	£10.9942	£13.4528

Options outstanding at 31 December 2021 had a range of exercise prices from £ 7.44 to £17.055. The weighted average contractual life of those options was 93 months (2020: 93 months).

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

12. Share based payments (continued)

Terms of share option plan

WPP Worldwide Share Ownership Plan (continued)

In 2021, options were granted on 25 November 2021. The aggregate of the estimated fair values of the options granted on this date is £ 31,000. In 2020, options were granted on 24 December 2020. The aggregate of the estimated fair values granted on this date was £15,000.

These amounts have been credited to Equity as a Parent Company Capital contribution in accordance with FRS 101. The inputs into the Black Scholes Valuation Model are as follows:

	2021	2020
Weighted Average Share Price	£ 9.64	£6.9600
Weighted Average Exercise Price	£ 8.2734	£12.6310
Expected volatility	34%	34%
Expected life (months)	48	48
UK Risk-free interest rate	0.63%	0.57%
Expected dividend yield	3.40%	4.20%

Expected volatility is sourced from external market data and represents the historical volatility in the WPP plc share price over a period equivalent to the expected option life. Expected life is based on a review of historical exercise behaviour in the context of the contractual terms of the options, as described in more detail above.

Terms of Restricted stock plans

Certain employees participate in restricted stock plans, which are satisfied by the delivery of stock from one of the WPP plc ESOP trusts. The most significant schemes are:

Performance Share Awards (PSA)

The PSA incentive plan was introduced in 2005. Grants of restricted stock under this scheme are dependent upon annual performance targets, typically one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement and will vest 24 months after grant provided the individual concerned is continually employed by a WPP plc company throughout this time.

Leaders, Partners and High Potential Group

Since 2005, restricted stock grants under this scheme have effectively replaced executive stock options. Performance conditions include continued employment over a three-year vesting period.

For restricted stock awards, the number of shares granted for the most significant schemes and the weighted average fair value of these grants was as follows:

	2021	2020
Performance Share Awards		
Number of shares granted	-	8,532
Weighted average fair value at grant date (pence per share)	-	550p
Leadership, Partners and High Potential Group		
Number of shares granted	26,781	31,190
Weighted average fair value at grant date (pence per share)	11065p	734p

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

13. Tangible assets

	Leasehold improvements £'000	Computers £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2020	-	2,484	-	2,484
Additions	556	287	281	1,124
Transfers	4,028	736	693	5,457
Disposals	-	(1,595)	-	(1,595)
At 31 December 2020	4,584	1,912	974	7,470
Additions	306	477	38	821
Transfers	-	331	33	364
Disposals	-	(12)	-	(12)
At 31 December 2021	4,890	2,708	1,045	8,643
Depreciation				
At 1 January 2020	-	1,752	-	1,752
Charge for the year	965	729	145	1,839
Transfers	1,117	368	208	1,693
Disposals	(18)	(1,794)	(6)	(1,818)
At 31 December 2020	2,064	1,055	347	3,466
Charge for the year	1,098	427	216	1,741
Transfers	-	290	33	323
Disposals	-	(12)	-	(12)
At 31 December 2021	3,162	1,760	596	5,518
Net book value				
At 31 December 2021	1,728	948	449	3,125
At 31 December 2020	2,520	857	627	4,004

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

14. Leases

The company adopted IFRS 16 Leases from 1 January 2019. The standard eliminated the classification of leases as either operating or finance leases and introduced a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 Leases requires the company to recognise all of its operating leases on the balance sheet.

Property leases to the company's premises at 1 Knightsbridge Green, London SW1X 7NW were assigned to an external party in June 2021. This has had the effect of clearing the leasehold property right of use asset balance and reducing the leasehold property lease liability balance in the year ended 31 December 2021.

The movements for the year ended 31 December 2021 were as follows:

Right-of-use assets:

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Cars £'000	Total £'000
At 1 January 2021	4,660	72	9	4,741
Depreciation of right-of-use assets	(104)	-	-	(104)
Impairment of right-of-use assets	(583)	(72)	(9)	(664)
Disposal of right-of-use assets	(3,973)	-	-	(3,973)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2021	-	-	-	-

Long term lease liabilities:

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Cars £'000	Total £'000
At 1 January 2021	14,582	61	11	14,654
Transfer short term element to Creditors: amounts falling due within one year (refer note 19)	(869)	-	-	(869)
Interest expense related to lease liabilities	115	-	-	115
Repayment of lease liabilities	(1,807)	-	-	(1,807)
Disposal of lease liabilities	(10,664)	(61)	(11)	(10,736)
Contributions payable to new leaseholder following disposal	1,032	-	-	1,032
Transfer short term element To Creditors: amounts falling due within one year (refer note 19)	(47)	-	-	(47)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2021	2,342	-	-	2,342

The maturity dates on the lease liabilities at 31 December 2021 are as follows:

Leasehold property	30 September 2024
Fixtures, fittings and equipment	31 December 2022

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

14. Leases (continued)

Sub-lease assets:

The company has sub-let an area of its premises at 1 Knightsbridge Green, London SW1X 7NW. Following the adoption of IFRS 16 Leases from 1 January 2019 this lease is accounted for as an Investment in sub-let held at the net present value of future sub-let income. The value recognised at 1 January 2021 is £1,048,000 (1 January 2020 £1,515,000).

The value recognised at 31 December 2021 is £665,000. (31 December 2020: £1,048,000) A credit of £28,000 in respect of an adjustment to prior year impairment to future sub-lease income was incorporated into the calculation of value recognized at 31 December 2021. The lease is due to expire on 30 September 2024.

	2021 £'000	2020 £'000
Value at 1 January	1,048	1,515
Payments received	(416)	(533)
Interest income	5	66
Revaluation of sub-lease asset	28	-
	<u>665</u>	<u>1,048</u>

Operating loss and interest

The following table shows the breakdown of the lease expense between amounts charged to operating loss and interest expense and income:

	2021 £'000	2020 £'000
Operating loss		
Depreciation of right-of-use assets		
Leasehold property	(104)	(1,242)
Fixtures, fittings and equipment		
Cars	-	(26)
Charge to operating loss	(104)	(1,271)
Impairment of right-of-use asset	(583)	-
Revaluation of sub-lease asset	28	-
Interest expense related to lease liabilities	(115)	(562)
Interest income related to sub-lease assets	5	66
	<u>(769)</u>	<u>(1,767)</u>

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

15. Investments

	£'000
Cost	
At 1 January 2020, 31 December 2020 and 31 December 2021	1,051
Provisions for impairment	
At 1 January 2021	1,051
Written off	-
	<u>1,051</u>
Net book value at 31 December 2021	<u>-</u>

Details of the company's subsidiaries at 31 December 2021 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
Cheetham Bell JWT Limited, Registered Office: 1 Hardman Street, Manchester M3 3HF	United Kingdom	100	100

The investments in subsidiaries are all stated at cost less provision for impairment.

Associate undertakings

Details of the company's associates at 31 December 2020 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
CCG Creative Communications Limited Registered office: Marine House, Clanwilliam Court, Dublin 2662881	Republic of Ireland	32	32

The investments in associates are all stated at cost less provision for impairment and held a zero net book value at 31 December 2020 and 31 December 2019.

Impairment of investments in subsidiaries and associate undertakings

Determining whether the company's investments in subsidiaries and associate undertakings have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries and associate undertakings at the balance sheet date was £nil with (2020: £nil).

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

16. Work in progress

	2021 £'000	2020 £'000
Amounts billable to clients	479	484
Amounts billable to group undertakings	18	748
	<u>497</u>	<u>1,232</u>

17. Debtors

	2021 £'000	2020 £'000
Trade debtors	19,624	14,588
Amounts owed by WPP plc group undertakings	74,538	6,487
Amounts owed by WPP plc associate parties	1,755	506
Other tax asset	58	41
Deferred tax asset	47	47
Contract assets	417	918
Prepayments	450	857
	<u>96,891</u>	<u>23,444</u>

Included within amounts owed by WPP plc group undertakings is a balance of £ 70,537,000, which is an inter-group loan with a fellow group company in relation to the cash pooling arrangement and attracted an interest rate of 0.4922% at 31 December 2021. Other amounts owed by WPP plc group undertakings and WPP plc group associate parties are unsecured, non-interest bearing and repayable on demand.

18. Cash at bank and in hand

	2021 £'000	2020 £'000
	-	52,529
	<u>-</u>	<u>52,529</u>

From April 2021, following an update to ultimate parent company WPP plc policy, the company's syndicated banking arrangements within the group have been restructured into 'zero balancing' pooling arrangements with WPP Finance Co. Limited (WPP Finance Co) acting as the leader of these cash pools within the UK (the Zero Balancing Pooling Arrangements). The company's cash balance is now thus reported within amounts owed by WPP plc group undertakings (refer note 17 Debtors). The receivable balance with WPP Finance Co at 31 December 2021 was £ 70,537,000. All such receivables are short term in nature and the company, as a participant in the cash pooling arrangements governed by the Zero Balancing Agreement, has access to its cash at all times when required, notwithstanding that such cash will be held by WPP Finance Co.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

19. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	5,441	5,726
Amounts owed to immediate parent company	12,128	11,971
Amounts owed to WPP plc group undertakings	16,145	5,775
Amounts owed to WPP plc associate parties	1,505	335
VAT	570	1,404
Other taxation and social security	1,222	944
Property liabilities	916	-
Other creditors	18	9
Contract liabilities	20,102	14,753
Accruals	6,363	3,364
	<u>64,410</u>	<u>44,281</u>

Amounts owed to immediate parent company are interest bearing (2021:1.3136%, 2020:1.3425%) and repayable on demand. Amounts owed to WPP plc group undertakings and WPP plc group related parties are unsecured, non-interest bearing and repayable on demand.

The significant increases in amounts owed to WPP plc group undertakings and Contract liabilities are both functions of full year absorption of the Wunderman division of WPP Brands (UK) Limited into the company. Please refer Strategic report – Review of the business for further details.

20. Provisions for liabilities

	Property lease £'000
At 1 January 2020	4,481
Release to income statement	<u>(3,000)</u>
At 31 December 2020	1,481
Released to current year income statement	<u>(902)</u>
At 31 December 2021	<u>579</u>

The property lease provision made at 1 January 2020 is in respect of property costs for which the associated cash flows were expected to be incurred during the remaining terms of a commitment to September 2024. The property was vacated in September 2019.

Elements of the onerous property lease provision made in 2019 specific to IFRS 16 Leases have now been allocated to right of use assets and sub-lease assets following the company's adoption of this policy from 1 January 2019.

The release to current year income statement relates to agreements for future year property sub-leases which have served to reduce the required prior year provision in respect of property costs not accounted for under IFRS 16.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

21. Called-up share capital and share premium

	2021 £'000	2020 £'000
Allotted, called-up and fully-paid share Capital		
34,082,181 ordinary shares of £0.00001 each	-	-
344,280 ordinary shares of £0.00001 each	-	-
56,071,020 preference shares of £ 1 each	56,071	-
	<u>56,071</u>	<u>-</u>
Share premium on allotted, called-up and fully paid share Capital.	4,301	716
	<u>4,301</u>	<u>716</u>

The Company has no authorised (but unissued) share capital.

In April 2020, the company issued 56,071,020 irredeemable preference shares of £ 1 each to a fellow group subsidiary, WPP Brands (UK) Limited. The issue of these shares, along with the issue of 344,280 ordinary shares of £ 0.00001 each, constituted consideration for the transfer of assets and liabilities of the Wunderman division of WPP Brands (UK) Limited into the Company.

In accordance with IAS32 Financial Instruments the full £ 56,071,020 was booked as a non-current liability for the year ended 31 December 2020.

On 23 November 2021 the company updated its articles of association to confirm that the company is under no obligation to declare and pay a dividend to the preference shareholder. A premium of £ 3,585,000 was booked on the issue of preference shares and covers the period from 9 April 2020 to 22 November 2021. Adoption of the updated articles has enabled the company to account for the £ 56,071,020 preference share issue as equity for the year ended 31 December 2021.

The ordinary shares have full voting, dividend and capital redemption (including on winding up) rights attached to them.

Aside from the dividend rights disclosed below the preference shares rank parri passu in all other aspects with the ordinary shares.

The preference shares are non-convertible cumulative floating rate preference shares. The holders of the preference shares shall be entitled to a cumulative floating rate dividend in preference to any other class of shareholder. The payment of any accrued but unpaid dividend shall have priority to any other class of share in the company. However, the declaration and settlement of a preference dividend is entirely at the discretion of the company directors and can be deferred indefinitely.

22. Other reserves

	2021 £'000	2020 £'000
Capital contribution from immediate parent company	3,000	3,000
Capital redemption reserve	2,110	2,110
Capital contribution from ultimate parent company	19,868	19,557
Merger reserve	(37,198)	(36,813)
	<u>(12,220)</u>	<u>(12,146)</u>

Capital redemption reserve

A capital redemption reserve was created in 2003 following the redemption of a previous shareholder of its A and B preference shareholding in the company.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

22. Other reserves (continued)

Capital contribution from ultimate parent company

The ultimate parent company, WPP plc, has granted rights to its equity instruments to certain employees of the company. This share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent. FRS 101 (Share-based payments) requires the company to record an expense for such compensation (see note 12) with a corresponding increase in equity as a contribution from the parent.

Merger reserve

	2020	2021	2021	
	WPP Brands (UK) Limited (Wunderman division) £'000	Mirum Agency London Limited £'000	Mirum Agency UK Limited £'000	Total £'000
Tangible fixed assets	3,765	29	292	4,086
Cash	13,655	476	1,531	15,662
Trade and other receivables	12,927	906	3,372	17,205
Trade and other payables	(10,523)	(1,796)	(3,485)	(15,804)
Total identifiable net assets / (liabilities)	19,824	(385)	1,710	21,149
Merger reserve	36,813	385	-	37,198
	<u>56,637</u>	<u>-</u>	<u>1,710</u>	<u>58,347</u>

On 3 September 2021, in line with the corporate simplification strategy of the WPP group, the transfer the assets and liabilities of Mirum Agency London Limited and Mirum Agency UK Limited (formerly Possible Worldwide Limited) into the company for considerations of £ 1 and £ 1,710,002.78 respectively was completed. The business transfer agreements are effective 1 January 2021.

In April 2020, the company acquired the assets and liabilities of the Wunderman division of WPP Brands (UK) Limited (a WPP plc subsidiary) for a consideration of 56,071,020 irredeemable £ 1 preference shares and 344,280 £ 0.00001 ordinary shares. The ordinary share issue carried a premium of £ 566,377. The acquisition completed the process whereby J Walter Thompson and Wunderman UK businesses united operationally to form Wunderman Thompson, a creative data and technology agency built to inspire growth for its clients.

There were no significant accounting adjustments made to the net assets of either party to achieve consistency of accounting policies. The merger reserve has been accounted for in accordance with IFRS3 Business Combinations and represents the excess between the consideration and the net book value of the assets arising from acquisition. The above assets and liabilities were recognized at their carrying value at the acquisition date.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes

At the balance sheet date, the company had the following assets in respect of its participation in retirement benefit schemes.

	2021 £'000	2020 £'000	2019 £'000
Defined Contribution Schemes	(1)	(173)	(116)
Defined Benefit Schemes			
J. Walter Thompson Pension and Life Assurance Scheme	429	431	298
Net asset	428	258	182

Defined contribution schemes

The company participates in several defined contribution retirement benefit schemes including the J. Walter Thompson Personal Pension Plan. The assets of the schemes are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total cost charged to administrative expenses of £1,693,000 (2020: £1,072,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2021, contributions of £ 1,000 (2020: £173,000) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The company also sponsors the J. Walter Thompson Pension and Life Assurance Scheme – a funded defined benefit scheme. The trustees of the scheme are WPP Pension Trustees Limited.

The costs of the J Walter Thompson Pension and Life Assurance Scheme are assessed in accordance with the advice of independent qualified actuaries. The most recent actuarial valuation for the scheme was carried out at 31 March 2011 and were updated to 31 December 2021 by independent qualified actuaries.

The scheme is closed to new members and as a result has an ageing population. In accordance with FRS 101, the actuarial calculations have been carried out using the Projected Unit Method. In these circumstances, use of this method implies that the contribution rate implicit in the current service cost will increase in future years.

For the company's defined benefit pension scheme, assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Assets are diversified among bonds, equities, insured pensions and cash. The primary use of bonds as an investment class is to match the anticipated cash flows from the schemes to pay pensions. The scheme invests in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities.

The trustee directors consider the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of a specific asset risk. The company is consulted by the actuaries and the trustees on matters concerning each scheme's investment strategy.

The trustee directors periodically commission detailed asset and liability studies performed by actuaries that generate probability-adjusted future returns on those assets. These studies also project estimated future scheme cash flows and provide a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet date.

The assets, liabilities, and pension expense declared in these financial statements and the assumptions and sensitivities behind their calculation are detailed below:-

The sensitivity analysis above has been determined based on reasonably possible changes on the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes (continued)

Defined Benefit schemes (continued)

i) J. Walter Thompson Pension and Life Assurance Scheme

	2021 £'000	2020 £'000	2019 £'000
Identified surplus	529	532	359
Deferred tax liability	(100)	(101)	(61)
Net asset	<u>429</u>	<u>431</u>	<u>298</u>

The majority of the members of the J. Walter Thompson Pension and Life Assurance Scheme are ex-employees of J. Walter Thompson Group Limited. There are no active members (2020: 0).

The J. Walter Thompson Pension and Life Assurance Scheme is closed to new members and, as a result, has an ageing population. In accordance with FRS 101, the actuarial calculations have been carried out using the Projected Unit Method.

Pensionable salaries for the J. Walter Thompson Pension and Life Assurance Scheme were frozen at 1 April 1999.

The scheme was closed to future accrual of benefits from 31 January 2017. All contributions to the scheme have now ceased.

No lump sum contributions were paid to the scheme in 2021 (2020: £nil, 2019: £nil).

Assets and liabilities

At 31 December, the fair value of assets and assessed present value of liabilities in the scheme is shown in the following table.

	2021 £'000	2020 £'000	2019 £'000
Assets held by insurance company	67,388	75,573	71,500
Cash	529	532	359
Total market value of assets	<u>67,917</u>	<u>76,105</u>	<u>71,859</u>
Vested deferred members	5,103	6,400	5,827
Retiree members	62,285	69,173	65,673
Present value of scheme liabilities	<u>(67,388)</u>	<u>(75,573)</u>	<u>(71,500)</u>
Surplus in the scheme	<u>529</u>	<u>532</u>	<u>359</u>

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes (continued)

Defined Benefit schemes (continued)

i) J. Walter Thompson Pension and Life Assurance Scheme (continued)

Analysis of the movement in the scheme surplus for each accounting period:

	2021 £'000	2020 £'000	2019 £'000
Surplus at 1 January	(532)	(359)	(6,374)
Charge to administrative and similar charges	-	-	-
Credit to net interest payable and similar charges	(6)	(7)	(182)
Actuarial (gain)/loss	9	(166)	18,318
Contributions	-	-	(12,121)
	<u>(529)</u>	<u>(532)</u>	<u>(359)</u>

Analysis of the change in fair value of scheme assets for each accounting period

	2021 £'000	2020 £'000	2019 £'000
Fair value of scheme assets at 1 January	76,105	71,859	75,392
Interest income on plan assets	889	1,397	1,992
Return on plan assets (excluding interest income)	(5,011)	7,230	(13,601)
Employer contributions	-	-	12,121
Participant contributions	-	-	-
Benefits paid	(4,066)	(4,381)	(4,045)
Administrative expenses	-	-	-
	<u>67,917</u>	<u>76,105</u>	<u>71,859</u>

Analysis of the change in fair value of plan liabilities for each accounting period

	2021 £'000	2020 £'000	2019 £'000
Fair value of plan liabilities at 1 January	75,573	71,500	69,018
Current service cost	-	-	-
Interest cost	883	1,390	1,810
Actuarial (gain)/loss			
- Effects of changes in demographic assumptions	1,166	(214)	(784)
- Effects of changes in financial assumptions	(4,046)	7,378	5,547
- Effects of experience adjustments	(2,122)	(100)	(46)
Benefits paid	(4,066)	(4,381)	(4,045)
Participants contributions	-	-	-
	<u>67,388</u>	<u>75,573</u>	<u>71,500</u>

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes (continued)

Defined Benefit schemes (continued)

i) J. Walter Thompson Pension and Life Assurance Scheme (continued)

Analysis of the actuarial (gain)/loss in the statement of other comprehensive income:

	2021 £'000	2020 £'000	2019 £'000
(Gain)/loss on pension scheme assets relative to expected return	5,011	(7,230)	13,601
Percentage of scheme assets	7.38%	9.50%	18.93%
Experienced gains arising on the scheme liabilities	(2,122)	(100)	(46)
Percentage of the present values of scheme liabilities	(3.15%)	(0.13%)	(0.06%)
Changes in assumptions underlying the present value of the scheme liabilities	(2,880)	7,164	4,763
Percentage of the present value of the scheme liabilities	(4.27%)	9.48%	6.66%
Actuarial loss / (gain)	<u>9</u>	<u>(166)</u>	<u>18,318</u>

Pension expense

The following table shows the breakdown of the pension expense between amounts charged to net interest payable and similar charges and amounts recognised in the statement of other comprehensive income.

Amounts charged to administrative expenses:

	2021 £'000	2020 £'000	2019 £'000
Current service cost	-	-	-
Scheme administration expenses	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Amounts charged/(credited) to interest payable and similar expenses:

	2021 £'000	2020 £'000	2019 £'000
Expected return on pension scheme assets	(889)	(1,397)	(1,992)
Interest on pension scheme liabilities	883	1,390	1,810
	<u>(6)</u>	<u>(7)</u>	<u>(182)</u>

Assumptions

There are a number of areas in pension accounting that involve judgements made by management based on the advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation and mortality assumptions.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes (continued)

Defined Benefit schemes (continued)

i) J. Walter Thompson Pension and Life Assurance Scheme (continued)

Assumptions (continued)

Financial

The significant weighted-average actuarial assumptions to determine the scheme obligations for the valuations at 31 December are shown in the following table:

	2021 % p.a.	2020 % p.a.	2019 % p.a.
Discount rate	1.80%	1.20%	2.00%
Rate of increase in salaries	0.00%	0.00%	0.00%
Rate of increase in pensions payment	3.70%	3.30%	3.30%
Inflation	3.70%	3.30%	3.30%

Discount rates are set with reference to high quality corporate bond yields.

Demographic

The life expectancies underlying the value of the accrued liabilities for the scheme were as follows:-

Years life expectancy after age 65 at 31 December	2021	2020	2019
Current pensioners (at age 65) - male	23.5	23.1	23.0
Current pensioners (at age 65) - female	25.0	24.1	24.1
Future pensioners (at age 45) - male	25.0	24.6	24.7
Future pensioners (at age 45) - female	26.7	25.9	25.9

Sensitivity analysis

	2021	2020	2019
<i>Present value of defined benefit obligation</i>			
Discount rate minus 25 basis points	69,441	77,977	73,873
Discount rate plus 25 basis points	65,409	73,244	69,283
Salary increase rate minus basis 25 points	67,388	75,573	71,500
Salary increase rate plus basis 25 points	67,388	75,573	71,500
Pensions-in-payment increase rate – minus 25 basis points	66,955	75,399	71,385
Pensions in payment increase rate – plus 25 basis points	68,047	76,009	71,664
Price inflation rate – minus 25 basis points	66,947	74,820	n-a
Price inflation rate – plus 25 basis points	68,055	76,744	n-a
Post-retirement mortality - increase by 1 year	70,986	79,197	74,646
<i>Weighted average duration of defined benefit obligation (in years)</i>			
Discount rate minus 25 basis points	12.00	12.53	12.53
Discount rate plus 25 basis points	11.92	12.52	12.52

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

23. Retirement benefit schemes (continued)

Defined Benefit schemes (continued)

i) J.Walter Thompson Pension and Life Assurance Scheme (continued)

The sensitivity analysis above has been determined based on reasonably possible changes on the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Expected future cash flows for the following years

	2021	2020	2019
Expected future employer contributions	-	-	-
Expected total future benefit payments			
- Year 1	4,131	4,040	4,027
- Year 2	3,900	4,031	4,040
- Year 3	3,885	4,029	4,031
- Year 4	3,781	4,000	4,029
- Year 5	3,712	3,961	4,000
- Next 5 years	17,416	19,362	19,461

24. Related and associate party transactions

The company has taken advantage of the exemption provided by FRS 101:8(k) not to disclose the details of transactions with related parties. The company and all companies with whom related party transactions took place in the year are ultimately 100% owned by WPP plc, the consolidated financial statements of which are publicly available.

Trading transactions and balances with associate companies of WPP plc are summarised below.

Trading transactions

During the year, the company entered into the following trading transactions with associate parties:

	Sale of services		Purchase of services	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Associates	2,789	5,001	(3,615)	(1,937)

Balances outstanding

The following amounts were outstanding at the balance sheet date:

	Amounts owed by associate parties			Amounts owed to associate parties		
	2021 £'000	2020 £'000	2019 £'000	2021 £'000	2020 £'000	2019 £'000
Associates	570	4,456	1,056	(1,416)	(243)	(646)

Sales and purchases of services related parties were made at the company's usual list prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Wunderman Thompson (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

25. Controlling party

The directors regard J. Walter Thompson UK Holdings Limited, a company incorporated in Great Britain and registered in England and Wales as the immediate parent company and WPP plc, a company incorporated in Jersey and the ultimate parent company and ultimate controlling party. The parent undertaking of the largest group, which includes the company and for which group financial statements are prepared, is WPP plc, a company incorporated in Jersey, registered office Queensway House, Hilgrove Street, St Helier, Jersey JE1 1EG. The parent undertaking of the smallest such group is WPP Jubilee Limited, a company incorporated in Great Britain, registered office 27 Farm Street, London W1J 5RJ.

Copies of the group financial statements of WPP plc are available from 27 Farm Street, London W1J 5RJ. Copies of the group financial statements of WPP Jubilee Limited are available from Companies House, Crown Way, Maindy Cardiff CF14 3UZ.